



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

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Testimony of Deputy Assistant Secretary of the Treasury Dan Iannicola, Jr. submitted to the United States House Committee on Financial Services

Introduction

Good morning Chairman Oxley, Ranking Member Frank and members of the Committee. I appreciate the opportunity to provide an update of the progress that has been made by the Financial Literacy and Education Commission and talk about how the current discussion on Social Security has inspired people to begin to think about retirement planning.

Background on the Financial Literacy and Education Commission

The Financial Literacy and Education Improvement Act, Title V of the Fair and Accurate Credit Transactions Act of 2003, the "FACT Act," established the Financial Literacy and Education Commission. The Commission was created to improve financial literacy and education of persons in the United States. The FACT Act named the Secretary of the Treasury head of the Commission and mandates the composition of the Commission to include the heads of 20 federal departments, agencies and commissions. The Commission members are the heads of the following agencies:

Department of the Treasury
Office of the Comptroller of the Currency
Office of Thrift Supervision
Federal Reserve Board of Governors
Federal Deposit Insurance Corporation
National Credit Union Administration
Securities and Exchange Commission
Department of Education
Department of Agriculture
Department of Defense
Department of Health and Human Services
Department of Housing and Urban Development
Department of Labor

Department of Veterans Affairs
Federal Trade Commission
General Services Administration
Small Business Administration
Social Security Administration
Commodity Futures Trading Commission
Office of Personnel Management

Financial Literacy and Education Commission Progress

The Commission has been mandated by Title V of the FACT Act to coordinate the federal effort on financial education. In addition to holding regular public meetings, the FACT Act required the Commission to create a federal government website and toll free hotline number, to develop a National Strategy for Financial Literacy and to mount a multi-media public service announcement campaign.

The Commission has held regular public meetings since January of 2004 and has taken important steps to accomplish some of these mandated deliverables.

Public Meetings

The FACT Act requires the Commission to hold regular public meetings every four months. The Commission has met this requirement and held its Fourth Public Meeting on January 13, 2005. The Commission will hold its Fifth Public Meeting on May 25, 2005 at the Department of the Treasury. In addition to coordinating the federal effort on financial education, the Commission also uses the meetings to learn about best practices in financial education. The Commission has heard from 12 different model programs during the first four meetings. Both Senator Daniel Akaka and Representative Judy Biggert have each participated in one of these meetings by delivering remarks to the Commission.

Deliverables

Website and Toll-Free Hotline

The second Commission achievement is the establishment of a federal government website and toll free hotline number. In October of 2004, the Commission successfully launched the MyMoney.gov website and the 1-888-MyMoney toll free hotline, both of which are available in English and Spanish. The content available through the MyMoney resources provides information on a wide range of financial topics including how to plan for retirement, manage credit, save for college and avoid consumer fraud. In the first six months of operation, MyMoney.gov has recorded more than 140,000 hits in English and more than 5,200 hits in Spanish. Through both website and hotline distribution, more than 350,000 publications in English and 6,000 publications in Spanish have been disseminated.

National Strategy

The Commission is also in the process of developing the National Strategy to promote basic financial literacy and education among all Americans. In drafting the National Strategy, the Commission has sought, collected and analyzed input from all entities (individuals, state and local government, educational and academic, private, nonprofit and public institutions) suggested in Section 514 of Title V.

To help develop the Strategy, the Commission published a Federal Register Notice (FR Doc. 04-19527) in August of 2004 which requested public comment. The comment period ran from August 26, 2004 to October 31, 2004.

During this two-month time frame, the Commission received 150 comments. The Commission reviewed all of the comments and divided all of the comment providers into six sectors. These six sectors were Academic and Educational; State and Local Government Institutions; Individuals; Non-Profit Organizations; Lending Institutions; and Other Commercial Organizations.

To gather additional information from the respondents, the Commission held a series of six public information meetings, categorized by sector, known as “Sector Meetings.” All of the respondents to the Federal Register Notice received a written invitation from the Commission to attend an assigned sector-specific meeting and were encouraged to attend in-person. If respondents could not attend in-person but still wanted to participate, the Commission allowed them to join the meeting via telephone conference. Each sector meeting was moderated by two to three members of the Commission and provided a forum for in-depth discussions about what should be addressed in the National Strategy.

The Commission held the Lending Institutions Sector Meeting on March 14, 2005 in the United States Capitol. The meeting consisted of a morning and an afternoon session. Senator Daniel Akaka and Representatives Judy Biggert and David Dreier each participated in either one or both of these sessions, and I would like to again thank them for their participation at the meeting, and for their commitment to the Commission.

The Commission is currently in the final stages of developing the Strategy. The Commission is mandated to submit the National Strategy to Congress by June 3, 2005, and will meet this statutory obligation.

Public Service Announcement Campaign

The FACT Act also requires the Commission to produce a multi-media public service announcement campaign. Part of the Strategy will address the development and implementation of campaign. The public service announcement campaign will help advance the goals of the commission and the National Strategy.

Social Security

As the Commission continues to develop and deliver effective financial education resources and strategies to the American public, a critical financial education issue today is the future of Social Security. I am pleased that the current discussion on Social Security has raised awareness on the issue of retirement security and the need to plan for the future. Individuals across the country are engaging in discussions about Social Security and retirement planning. The Commission will continue to provide federal education resources for all individuals who are trying to meet savings goals for retirement.

Over the last several weeks – President Bush, Vice President Cheney, Secretary Snow and dozens of Administration officials, including me, have traveled throughout the country to discuss the President’s plan to strengthen Social Security. The dialogue that the President called for in the State of the Union is well underway and Social Security has been elevated to the top of the national agenda.

Social Security is safe for today’s seniors and for those nearing retirement – but it is in danger for our younger workers. In 2008, baby boomers will begin to retire, by 2017, the government will begin to pay out more in Social Security benefits than it collects in payroll taxes, and by 2041 – when younger workers begin to retire – the system will be bankrupt.

As we fix Social Security, we must make it a better deal for younger workers by allowing them to put part of their payroll taxes in personal retirement accounts. Personal accounts would be entirely voluntary. The accounts would offer younger workers the opportunity to receive higher benefits than the current system – and build a nest-egg that the government cannot take away. Put another way, personal retirement accounts give each young worker a chance to own a piece of his or her future.

The President has laid out principles to guide Social Security reform and welcomes all ideas that meet these principles. He has pledged to work in good faith with Congress on this issue. We are making real progress. More and more people understand the real problems facing Social Security and the need to take action to strengthen the system for future generations.

Conclusion

It has been my pleasure to provide you with an overview of the Commission and its ongoing efforts to enhance financial literacy in America. In addition, I am pleased that I had the opportunity to discuss Social Security and how the current national dialogue on the subject has sparked increased interest in retirement planning and financial education. I thank you for your support of the Commission and look forward to discussing future developments in financial education with you. I am available to answer any additional questions that you may have.